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Poverty alleviation begins with a job, an ambition, and a little bit of money

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A woman's income has 20 times more impact on a child's survival than her male counterpart, yet many of Asia's women fall at the bottom of the region's socioeconomic pyramid. Think about the impact that millions of women can bring if only they are empowered – a thought shared by Terry Farris, CEO of Unitus Capital, a financial advisory that specialises in arranging capital for social enterprises befitting those at the bottom of the economic pyramid. Since its inception in July 2008 by international non-profit Unitus, Inc., Unitus Capital has raised over US\$100 million for businesses making a social impact in some of the most underprivileged countries in Asia.

Farris, who spoke at a recent [Social Conversation](http://www.lcsi.smu.edu.sg/prog_100506.asp) (http://www.lcsi.smu.edu.sg/prog_100506.asp), organised by SMU's [Lien Centre for Social Innovation](http://www.lcsi.smu.edu.sg/) (<http://www.lcsi.smu.edu.sg/>), said that women make up more than 70% of those caught within the lower rungs in Asia. As they occupy the bottom of the pyramid, they can be said to represent the 'foundation' of society's building blocks. "One thing I have learned over the years is that if you can focus on women and change their lives, there's a huge ripple effect on society," he said. After all, a strong foundation allows for a sturdy, resilient pyramid.

The empowerment of women through education is not unique to case studies in microfinance. In 2000, then United Nations Secretary-General, Kofi Annan established the United Nations Girls' Education Initiative because he recognised that the education of girls was "a long-term investment" with high returns. In a similar spirit, Chandra Shekhar Ghosh established *Bandhan*, meaning *togetherness*, a Microfinance Institution (MFI) in India that works exclusively with women.

Ghosh, the main speaker at the Social Conversation, said he believes poverty alleviation should go hand in hand with the empowerment of women. For him, a holistic approach would be to start by educating the poor, equipping them with life skills, and eventually, upping their chances for employment and survival. With that in mind, Ghosh has made *Bandhan* one of India's, and indeed, the world's leading MFIs.

Social cause, social approach

India has a population of some 1.18 billion people, almost half of whom live on less than US\$2 a day. "If you look at India's GDP, we are ranked the 12th highest in the world. But if you divide that by the population, it ranks 139. So, population is the issue in India," Ghosh said. He contends that women make up a majority of those millions living in poverty – because Indian women, in general, do not enjoy equal opportunities, compared to men, in education and employment.

Bandhan was established in 2001, with the aim of addressing broader poverty and female disempowerment issues in India. However, Ghosh realised that charitable assistance was not sufficient to bring about long-term and sustainable change to those living in and below the poverty level. This led him to begin micro-lending services a year later. Though originally set up to be a not-for-profit society, *Bandhan*, in 2006, evolved its structure to encompass a for-profit arm – *Bandhan Financial Services Pvt Ltd* – so as to focus on microfinance activities.

Registered as a Non Banking Financial Company (NBFC) with the Reserve Bank of India (RBI), *Bandhan Financial Services* went from operating out of two branches in Kolkata, to 1,550 branches across 17 Indian provinces today – perhaps a good indication of market demand. More notably, *Bandhan* maintains a 99.88% repayment rate amongst its 2.5 million impoverished borrowers. "MFIs can help the poor enhance their income, especially amongst women," said Ghosh, who had set out to ensure that micro-loans are given to women for the purpose of generating income only.

The approach taken is unique as well. *Bandhan's* credit officers do more than their weekly rounds of dispensing and collecting cash. They participate in meetings across the villages where its services are rendered. These meetings comprise 20 to 30 women and include an appointed president, cashier and secretary. Instalments are paid, issues are discussed, and relationships are built at these gatherings. And as borrowers share their concerns around the proverbial table, *Bandhan's* credit officers will listen and relay the issues to the organisation, where managers will devise solutions to match the borrowers' needs.

"*Bandhan's* uniqueness is that we are learning from the field all the time," said Ghosh. "We want to meet the needs of poor families, not in a charitable way, but in a sustainable way."

A following of leaders

Apart from the basic micro loan available to borrowers within their first year of membership, *Bandhan* also has a microfinance program for entrepreneurs who require a higher loan to expand their business – a unique “hardcore poor program” to reach those at the bottom of the pyramid, and a health loan to take care of the health concerns of borrowers. While most MFIs offer a range of interest rates, anything from 12-17%, *Bandhan* maintained a flat interest rate of 12.5% across three of its main microfinance products, which since May, has been lowered to 10%.

How does undercutting the competition spell success for *Bandhan*? “We’re always learning from the poor how to simplify things. *Bandhan* is about simplicity. We like to keep things simple,” Ghosh expounded in all earnestness, “The second thing [that drives our performance] is our staff’s commitment.” Most members of *Bandhan*’s staff are based outfield – close to the customers. Only a few work out of the head office in Kolkata.

However, Ghosh hesitated to limit the factors that had driven his business thus far. It is “a sum of components”, he said, which combines simplifying, outreach, the nurturing of staff, the transparent structure, and also, the involvement and contribution of employees to organisational processes and decisions. Everyone has a hand in improving or innovating for the betterment of *Bandhan*, Ghosh noted. “We are continuously proving [the effectiveness] of our models to ourselves, and innovating. That’s what we do.”

Asked to share an “uneventful” anecdote, Ghosh told the story of a woman who had taken a small loan to develop a small business to enable her two sons to be put to school. “Today her sons have graduated and are working and supporting her, and she has no need for the loan anymore. But she returned one day to loan Rs3000 (US\$66). When she applied for the loan, I asked what it was for and she didn’t reply. I asked a second, third, and finally a fourth time. She said, ‘If I don’t take a loan, I have to give up my seat in the committee!’”

Ghosh admitted that the story was not exactly “uneventful”, but “funny things” like that occur every now and then to show how customers come to develop a certain belonging to the group. The woman in the story had duties and responsibilities as a committee member at village meetings – tasks that provided her, and many other women like her, with a sense of empowerment – something that they do not receive, outside of the *Bandhan* circle. So affirming are those sessions that they compel some women to feign their need of loans just so they can continue to help.

The business challenges of poverty


Through its standardised yet decentralised approach, *Bandhan* has managed to accomplish what Ghosh had always set out to do – which is to reach out to the poor women who wish to develop their own sustained income streams. And somehow, he has managed to do this in a personalised way that is simple and profitable. In December 2009, *Bandhan* reportedly [raised US\\$10.7 million \(http://www.microfinancefocus.com/news/2009/12/24/nbfc-microfinance-bandhan-raises-us-10-7mn-of-equity-capital-from-sidbi/\)](http://www.microfinancefocus.com/news/2009/12/24/nbfc-microfinance-bandhan-raises-us-10-7mn-of-equity-capital-from-sidbi/) from the Small Industries Development Bank of India (SIDBI) to provide loans to an additional half-a-million borrowers, with Unitus Capital playing the role of the exclusive financial adviser.


The organisation has also set a target of expanding its presence beyond India, to Afghanistan, Brazil and South Africa, and to disburse Rs. 60 billion (US\$1.3 billion) by the end of this year. *Bandhan* has even estimated that they will have a portfolio worth well over Rs. 100 billion (US\$2.17 billion) by 2014, spread across eight million borrowers. Also, *Bandhan* was adjudged the second best MFI in the world and the “Best in India” by Forbes magazine, and is the fourth largest MFI in India.

Despite its success and numerous accolades, Ghosh confessed, “Every moment we face challenges. The microfinance challenge is big, we are an intermediary; we have the bank, the government, the politicians and the poor people.” So while the primary concern is for the poor people, the business faces the constant challenges of having to reconcile the different interests of all the parties through the line.

Regardless, he is optimistic about the future. With an ever-expanding network, growing interest and awareness of MFI, and increasing involvement by local and international private organisations and banks, Ghosh is confident these challenges can be embraced and overcome. As a matter of fact, he added, “Life’s full of challenges.”

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